

**OPENING STATEMENT OF  
RANKING MEMBER PAUL E. KANJORSKI  
SUBCOMMITTEE ON CAPITAL MARKETS, INSURANCE,  
AND GOVERNMENT SPONSORED ENTERPRISES**

**HEARING ON RECOVERY AND RENEWAL:  
PROTECTING THE CAPITAL MARKETS  
AGAINST TERRORISM AFTER SEPTEMBER 11**

**WEDNESDAY, FEBRUARY 12, 2003**

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Mr. Chairman, before we begin, I must note that this hearing is the first meeting in the 108<sup>th</sup> Congress of our subcommittee. Over the last eight years, we have forged a close and productive relationship as the Chair and Ranking Member of the Capital Markets Subcommittee.

Moreover, our subcommittee during the last two years sat at the center of the eye of the storm on two significant pieces of legislation: creating a federal backstop for terrorism reinsurance and restoring investor confidence in corporate America. We performed our jobs admirably on each of these matters, and I look forward to working with you once again in this Congress on these and other important issues.

Today, we will hear from a variety of witnesses about the response of our regulators and key market participants to the September 11 attacks. These attacks resulted in the unfortunate loss of nearly 2,800 lives at the World Trade Center. They also resulted in excess of \$40 billion in insured damages, according to at least one estimate.

In my view, our country cannot -- and must not -- allow terrorists to alter the effective functioning of the U.S. financial markets, the strongest in the world. Fortunately, the participants in our capital markets demonstrated the resiliency of our system. The fixed income markets successfully resumed trading just two days after the attack, and our equities and options exchanges reopened six days after the attack.

At today's hearing, we will hear from a number of distinguished witnesses, including representatives from the General Accounting Office, the Securities and Exchange Commission, the New York Stock Exchange, and the Nasdaq Stock Market. We will also hear from the Securities Industry Association and the Bond Market Association. These witnesses will provide us with a valuable perspective in understanding the health of the financial services industry and the need for any changes in public policy in the wake of the September 11 disaster.

In particular, I am interested in hearing the testimony of the GAO. The GAO recently completed a comprehensive examination of the preparations that our financial market participants have taken since September 2001 to protect themselves from physical and electronic attacks. In general, the GAO found that while our capital markets have implemented a number of reforms to improve business contingency planning, additional action is needed to better prepare critical financial market participants.

As we consider today the issue of contingency planning in response to future terrorism events, our panel should also consider other potential threats to our capital markets. In 1998, for example, financial regulators responded in an improvised manner to the collapse of Long Term Capital Management. In order to promote domestic economic security in times of turmoil, we

need for financial and economic regulators, as well as market participants, to better coordinate their efforts to respond to economic crises in advance of such events. I was therefore pleased that the Committee adopted my amendment regarding this issue to the oversight plan. I intend to continue to examine this issue in the months ahead.

Finally, Mr. Chairman, it is important that this Congress act promptly on one piece of legislative business related to these matters -- the Emergency Securities Response Act. To facilitate the reopening of our capital markets, the SEC for the first time used its emergency power authorities to ease temporarily certain regulatory requirements. Nonetheless, the SEC recommended some statutory improvements to these authorities. Although the House approved legislation adopting these reforms, it did not become law in the last Congress. It is nonetheless my hope that this bill will become law in the near future.

Mr. Chairman, thank you again for the opportunity to comment on these matters. I look forward to continuing our cooperative relationship in the 108<sup>th</sup> Congress, and yield back the balance of my time.

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